



News Release

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Special Tax Break Available for New Car Purchases This Year

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WASHINGTON — The Internal Revenue Service announced today that taxpayers who buy a new passenger vehicle this year may be entitled to deduct state and local sales and excise taxes paid on the purchase on their 2009 tax returns next year.

“For those thinking about buying a new car this year, this deduction may give them a little more drive to make their purchase this year,” said IRS Commissioner Doug Shulman. “This deduction enables taxpayers to buy now and get cash back later on their tax returns.”

The deduction is limited to the state and local sales and excise taxes paid on up to \$49,500 of the purchase price of a qualified new car, light truck, motor home or motorcycle.

The amount of the deduction is phased out for taxpayers whose modified adjusted gross income is between \$125,000 and \$135,000 for individual filers and between \$250,000 and \$260,000 for joint filers.

IRS also alerted taxpayers that the vehicle must be purchased after Feb. 16, 2009, and before Jan. 1, 2010, to qualify for the deduction.

The special deduction is available regardless of whether a taxpayer itemizes deductions on their return. The IRS reminded taxpayers the deduction may not be taken on 2008 tax returns.